

1. Compliance with the law is just the baseline for effective and responsible managerial action.

- a. True
- b. False

*ANSWER:* True  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* Introduction: Ethics Matter  
*KEYWORDS:* Blooms: Comprehension

2. Customers can vote with their feet by boycotting unethical practices, such as clothing made in sweatshops.

- a. True
- b. False

*ANSWER:* True  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* Introduction: Ethics Matter  
*KEYWORDS:* Blooms: Comprehension

3. Since 1990 until today, the compensation gap between the average worker and a CEO listed in Standard and Poors Index has narrowed.

- a. True
- b. False

*ANSWER:* False  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-2 Ethical Tone is Set At the Top  
*KEYWORDS:* Blooms: Evaluation

4. Ethics and law are unrelated.

- a. True
- b. False

*ANSWER:* False  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-1 Relationship Between Law and Ethics  
*KEYWORDS:* Blooms: Knowledge

5. A company's CEO does not play a significant role in instilling a sense of ethics throughout the organization.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** 2-2 Ethical Tone is Set at the Top  
**KEYWORDS:** Blooms: Comprehension

6. Nobel Prize winner in economics Milton Friedman asserts that the only guiding criterion for the corporation should be profitability within the confines of the law.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** 2-3 Ethical Business Leader's Decision Tree  
**KEYWORDS:** Blooms: Knowledge

7. Employees can never be stakeholders of a corporation.

- a. True
- b. False

**ANSWER:** False  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** 2-3 Ethical Business Leader's Decision Tree  
**KEYWORDS:** Blooms: Comprehension

8. Another way of saying maximization of shareholder value is shareholder primacy.

- a. True
- b. False

**ANSWER:** True  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** 2-3 Ethical Business Leaders Decision Tree  
**KEYWORDS:** Blooms: Comprehension

9. All fifty states have constituency statutes.

- a. True

b. False

*ANSWER:* False  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

10. The two main schools of ethical thought are teleological and deontological.

a. True

b. False

*ANSWER:* True  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

11. Under the Teleological theory, the ethical good of an action is judged by the effect of the action on others.

a. True

b. False

*ANSWER:* True  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 The Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

12. If a company employee chooses to follow orders (and breaks the law) the fact that his supervisor ordered him to do so is a complete defense at a criminal trial.

a. True

b. False

*ANSWER:* False  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-4 Individual Responsibility  
*KEYWORDS:* Blooms: Application

13. The Deontological theory focuses on the consequences of an action rather than on the motivation of the individual.

a. True

b. False

*ANSWER:* False  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

14. Utilitarianism is a major deontological system that operates under the proposition that the ideal is to focus on motivation rather than on consequences.

- a. True
- b. False

*ANSWER:* False  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

15. Utilitarianism seeks to equalize the benefit to everyone.

- a. True
- b. False

*ANSWER:* False  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

16. All business leaders and academics agree that the primary ethical and legal duty of corporations is to maximize shareholder value.

- a. True
- b. False

*ANSWER:* False  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Knowledge

17. Kantian theory examines the concepts of universalizability and reversibility.

- a. True
- b. False

*ANSWER:* True  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 The Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Knowledge

18. Some companies, like Nike and Adidas, are now auditing supplier working conditions and posting the results at the Fair Labor Association website.

- a. True
- b. False

*ANSWER:* True  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-6 Positive Action  
*KEYWORDS:* Blooms: Comprehension

19. Rawlsian moral theory seeks to develop principles behind a "veil of information."

- a. True
- b. False

*ANSWER:* False  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 The Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

20. Rawlsian moral theory seeks to maximize the condition of the worst off person in society.

- a. True
- b. False

*ANSWER:* True  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

21. Immanuel Kant argued that spending money in ways that are not consistent with shareholder wishes is tantamount to imposing a tax and unilaterally deciding where the money will be spent.

- a. True
- b. False

*ANSWER:* False  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

22. Milton Friedman argued that if a company decides to spend money for a social cause, it is in essence spending someone else's money for a general social interest.

- a. True
- b. False

*ANSWER:* True  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 The Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Application

23. Which of the following allows rights-based moral theories to be compared to other theories such as a utilitarian framework?

- a. Deontology
- b. Teleological theory
- c. Comparative justice
- d. Rawlsian moral theory

*ANSWER:* c  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Analysis

24. According to St Thomas Aquinas, an unjust law:

- a. could not properly be considered law at all.
- b. is defective and morally objectionable.
- c. must be obeyed even if it is morally objectionable.
- d. must be overturned by a supermajority of the legislature.

*ANSWER:* a  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* Historical Perspective  
*KEYWORDS:* Blooms: Comprehension

25. Which of the following is true regarding the relationship between law and ethics?

- a. The law attempts to prohibit all "bad" behavior.
- b. An action that is unethical is also considered illegal in the U.S.
- c. The law prohibits all "morally objectionable" behavior.
- d. An action that is unethical may nonetheless be legal.

ANSWER: d

POINTS: 1

DIFFICULTY: Easy

NATIONAL STANDARDS: United States - BUSPROG: - Analytic

ACCREDITING STANDARDS: DISC: - AICPA: BB-Legal

TOPICS: 2-1 Relationship Between Law and Ethics

KEYWORDS: Blooms: Comprehension

26. Which of the following are the three main theories under the comparative justice framework?

- a. Retributive, Kantian, and Rawlsian
- b. Compensatory, comparative, and retributive
- c. Distributive, compensatory, and retributive
- d. Utilitarianism, teleological, and compensatory

ANSWER: c

POINTS: 1

DIFFICULTY: Challenging

NATIONAL STANDARDS: United States - BUSPROG: - Analytic

ACCREDITING STANDARDS: DISC: - AICPA: BB-Legal

TOPICS: 2-3 The Ethical Business Leaders Decision Tree

KEYWORDS: Comprehension

27. In 2013, the average CEO of a company in the Standard and Poor's 500 Index took home more than \_\_\_\_\_ times as much as the average worker.

- a. 50
- b. 150
- c. 325
- d. 500

ANSWER: c

POINTS: 1

DIFFICULTY: Moderate

NATIONAL STANDARDS: United States - BUSPROG: - Analytic

ACCREDITING STANDARDS: DISC: - AICPA: BB-Legal

TOPICS: 2-2 Ethical Tone is Set at the Top

KEYWORDS: Blooms: Knowledge

28. Which of the following is a psychological disorder referenced in the text resulting in a lack of empathy and the inability to recognize boundaries?

- a. Prevalent personality disorder
- b. Narcissistic personality disorder
- c. Corporate phenomena disorder

d. Trial disorder

*ANSWER:* b  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-2 Ethical Tone is Set at the Top  
*KEYWORDS:* Blooms: Knowledge

29. Which of the following international organizations adopted a convention criminalizing bribes to government officials and recommending a prohibition on the tax deductibility of bribes?

- a. The Foreign Corrupt Practices Consortium
- b. The Organization of Economic Cooperation and Development
- c. The International Business Legal and Ethical Revision Association
- d. Transparency International

*ANSWER:* b  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 The Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

30. Which of the following is true regarding the growth of socially responsible mutual funds?

- a. Such funds have remained flat with little change in America, but they have grown significantly in Europe.
- b. Such funds have remained flat with little change in Europe, but they have grown significantly in America.
- c. Both America and Europe have seen a decline in interest in socially responsible funds.
- d. Both America and Europe have seen growth in socially responsible funds.

*ANSWER:* d  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-7 Promoting Ethical Behavior  
*KEYWORDS:* Blooms: Application

31. According to Exhibit 2.1 "Ethical Business Leader's Decision Tree", which of the following is the first question managers should ask themselves when determining whether a proposed action is ethical?

- a. Whether it will result in a loss of profits
- b. Whether stockholders would approve
- c. Whether the CEO would approve
- d. Whether it is legal

*ANSWER:* d  
*POINTS:* 1  
*DIFFICULTY:* Easy  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic



*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal

*TOPICS:* 2-3 Ethical Business Leaders Decision Tree

*KEYWORDS:* Blooms: Analysis

32. Which of the following is the group given the ultimate legal authority to change management?

- a. Shareholders
- b. Human resource managers
- c. The mayor in the applicable jurisdiction
- d. The city council in the applicable jurisdiction

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Moderate

*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic

*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal

*TOPICS:* 2-3 Ethical Business Leaders Decision Tree

*KEYWORDS:* Blooms: Knowledge

33. Which of the following is a term for the maximization of shareholder value?

- a. Shareholder importance
- b. Shareholder primacy
- c. Value of shares maximization
- d. Corporate allocation

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Moderate

*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic

*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal

*TOPICS:* 2-3 Ethical Business Leaders Decision Tree

*KEYWORDS:* Blooms: Comprehension

34. A \_\_\_\_\_ statute is a state statute authorizing boards of corporations to take into account all stakeholders and constituencies even when a change in control or breakup of the corporation has become inevitable.

- a. corporate control
- b. break-up
- c. constituency
- d. protection

*ANSWER:* c

*POINTS:* 1

*DIFFICULTY:* Moderate

*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic

*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal

*TOPICS:* 2-3 Ethical Business Leaders Decision Tree

*KEYWORDS:* Blooms: Application

35. \_\_\_\_\_ focuses on how the burden and benefits of a particular system are distributed.

- a. Compensatory Justice

- b. Retributive Justice
- c. Distributive Justice
- d. Rawlsian Justice

*ANSWER:* c  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Application

36. According to economist Michael C. Jensen, which of the following is a stakeholder of a corporation?
- a. Customers only
  - b. Employees and customers, but not managers
  - c. Managers and employees, but not customers
  - d. Customers, employees, and managers

*ANSWER:* d  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leader Decision Tree  
*KEYWORDS:* Blooms: Application

37. Which of the following is true regarding shareholder primacy?
- a. It is never legally mandated.
  - b. It is always legally mandated.
  - c. It is legally mandated only in very narrow circumstances.
  - d. There is no such thing.

*ANSWER:* c  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Application

38. The obligation of a company's directors to manage the corporation for the best interest of the \_\_\_\_\_ is recognized as the primary obligation of directors of a corporation.
- a. corporation
  - b. officers
  - c. employees
  - d. community

*ANSWER:* a  
*POINTS:* 1  
*DIFFICULTY:* Moderate

*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 The Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

39. Nobel prize winner Milton Friedman asserts that "social responsibility" is a fundamentally \_\_\_\_\_ doctrine.
- positive
  - risky
  - good
  - subversive

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Moderate

*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Knowledge

40. The \_\_\_\_\_ Act illustrates that corporate conduct violating society's expectations can result in new forms of regulation without regard for feasibility or cost.
- White-Rush Dow Jones Conciliatory
  - Dodd-Frank Wall Street Reform and Consumer Protection
  - Corporate and Securities Reform and Retribution Consumer Protection
  - Securities and Oversight

*ANSWER:* b

*POINTS:* 1

*DIFFICULTY:* Moderate

*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* Introduction: Ethics Matter  
*KEYWORDS:* Blooms: Knowledge

41. Which of the following statements regarding the teleological theory is NOT true?
- Teleological theory is concerned with consequences.
  - Teleological theory judges the ethical good of an action by the effect of the action on others.
  - Teleological theory focuses more on the motivation and principle behind an action.
  - Both that teleological theory is concerned with consequences and that teleological theory judges the ethical good of an action by the effect of the action on others.

*ANSWER:* c

*POINTS:* 1

*DIFFICULTY:* Moderate

*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Application

42. According to \_\_\_\_\_, social policies developed behind the veil of ignorance would create a system benefiting the \_\_\_\_\_.

- a. Rawls, majority
- b. Rawls, minority
- c. Rawls, least well off
- d. Kant, most well off

*ANSWER:* c  
*POINTS:* 1  
*DIFFICULTY:* Challenging  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Application

43. According to Kant's theory of universalizability, the ethical worth of an act is determined by whether a person:

- a. would want such a rule applied to minority members of society.
- b. would want everyone to perform in this manner.
- c. could get away with such an action.
- d. could live with the results of such an action.

*ANSWER:* b  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Application

44. Kant's categorical imperative states that:

- a. the form of an action rather than the intended result determines the ethical worth.
- b. no one person's interest is given more weight than another.
- c. distribution favors the person getting the worst share.
- d. morally objectionable actions can never be in the best interests of society.

*ANSWER:* a  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Application

45. Which of the following is NOT an example of St. Thomas Aquinas' requirements for a law to be just?

- a. The law must be within the power of individuals to fulfill it.
- b. The law must be consonant with a reasoned determination of the universal good.
- c. The law must be formed to promote a private benefit to the majority.
- d. The law must be widely promulgated.

*ANSWER:* c

*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* Historical Perspective  
*KEYWORDS:* Blooms: Analysis

46. Which of the following plays the most significant role in instilling a sense of ethics throughout an organization?

- a. The CEO
- b. The human resources manager
- c. Each employee's immediate supervisor
- d. The employees themselves

*ANSWER:* a  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-3 Ethical Business Leaders Decision Tree  
*KEYWORDS:* Blooms: Comprehension

47. According to St. Thomas Aquinas, only laws that followed \_\_\_\_\_ were true and just.

- a. reasoned law
- b. customary law
- c. eternal law
- d. localized law

*ANSWER:* c  
*POINTS:* 1  
*DIFFICULTY:* Moderate  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* Historical Perspective  
*KEYWORDS:* Blooms: Comprehension

48. Companies like \_\_\_\_\_ have suffered severe financial penalties as a result of decisions the public viewed in hindsight as \_\_\_\_\_.

- a. Quaker Oats Company, unethical
- b. General Motors, criminal
- c. General Motors, unethical
- d. General Motors, unjust

*ANSWER:* c  
*POINTS:* 1  
*DIFFICULTY:* Challenging  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-5 Failing to Meet Societal Expectations  
*KEYWORDS:* Blooms: Comprehension

49. Managers who create ethical solutions while maximizing shareholder value are said to find:
- the Universalizability Principle.
  - Distributive Justice.
  - the Sweet Spot.
  - the Shareholder Primacy.

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** 2-3 Ethical Business Leaders Decision Tree  
**KEYWORDS:** Blooms: Comprehension

50. The Organization of Economic Cooperation and Development (OECD) is:
- comprised of nations from North America, Europe, and Asia-Pacific.
  - a subsidiary of the European Union.
  - comprised of nations who entered into the North American Free Trade Agreement.
  - comprised of states inside the U.S.

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Easy  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** 2-3 Ethical Business Leaders Decision Tree  
**KEYWORDS:** Blooms: Knowledge

51. Which one of the following is NOT a manner in which a company can promote ethical behavior?
- Lobby legislators for more ethical guidelines
  - Craft an ethical mission statement
  - Provide ethics training
  - Adopt a Code of Ethics

**ANSWER:** a  
**POINTS:** 1  
**DIFFICULTY:** Moderate  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** 2-7 Promoting Ethical Behavior  
**KEYWORDS:** Blooms: Comprehension

52. The main issue in CASE 2.1 *Northeast General v. Wellington Advertising* (1993) was whether:
- the finder's fee agreement was valid and enforceable.
  - the CEOs had conspired to deny a finder's fee to Sternau.
  - a relationship of trust with fiduciary-like obligations was created under the parties' finder-seller agreement.
  - Margolis engaged in fraud when he signed the agreement without his employer's permission.

**ANSWER:** c

*POINTS:* 1  
*DIFFICULTY:* Challenging  
*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic  
*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal  
*TOPICS:* 2-8 Honor or "The Morals of the Marketplace"?  
*KEYWORDS:* Blooms: Analysis

53. According to the Delaware Supreme Court, when does the role of a director shift from being a "protector of the corporate bastion" to being an "auctioneer" charged with obtaining the highest realizable short-term value for the shareholders?

- a. Only when the breakup of the corporation or a change of control has become inevitable
- b. Whenever a yearly loss is reflected
- c. At the point that a yearly loss has been reflected for three straight years
- d. When the CEO and the board of directors are in disagreement, and there has also been a yearly loss reflected for three straight years

*ANSWER:* a

*POINTS:* 1

*DIFFICULTY:* Moderate

*NATIONAL STANDARDS:* United States - BUSBROG: - Analytic

*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal

*TOPICS:* 2-3 Ethical Business Leaders Decision Tree

*KEYWORDS:* Blooms: Comprehension

### **Fact Pattern 2-1**

Jack decides to donate leftover food from his restaurant to a homeless shelter. Brock, an employee who was angry with Jack over not getting a raise, claimed that Jack decided to donate the food only for publicity and that Jack did not really care about homeless people. Peggy, another employee disagreed, contending that regardless of his motivation, Jack was acting ethically because of the consequences involved and the number of people helped.

54. Refer to Fact Pattern 2-1. Upon which of the following would Jack most likely rely in contending that he donated the food because he was motivated to help the poor?

- a. Rawlsian moral theory
- b. Teleological theory
- c. Artificial person application
- d. Deontological theory

*ANSWER:* d

*POINTS:* 1

*DIFFICULTY:* Challenging

*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic

*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal

*TOPICS:* 2-3 Ethical Business Leaders Decision Tree

*KEYWORDS:* Blooms: Analysis

55. Refer to Fact Pattern 2-1. Upon which of the following would Peggy most likely rely to support her contention?

- a. Rawlsian moral theory

- b. Teleological theory
- c. Artificial person application
- d. Deontological theory

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Challenging  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** 2-3 Ethical Business Leaders Decision Tree  
**KEYWORDS:** Blooms: Analysis

**Fact Pattern 2-2**

Wally and Janice are both managers in a small corporation set up to manufacture sporting goods. They both receive bonuses for any ideas that benefit the company, although Janice's bonus is computed at a lower rate than Wally's because she has been at the company a shorter amount of time. Janice has a great marketing idea that would result in her receiving a bonus of \$1,000. She has it all worked out on her computer. Unknown to her, one evening after business hours, Wally obtains the information from her computer and submits it himself the next day. He is immediately awarded a bonus of \$2,000 for the information. Fortunately for Janice, Sally, a custodian, saw Wally in Janice's office and heard him calling his wife while he was there to brag about his misdoings. Sally informed Blaire, the CEO, of Wally's actions.

56. Refer to Fact Pattern 2-2. Which of the following types of justice is involved if Blaire requires that Wally give Janice \$1,000?

- a. Compensatory
- b. Retributive
- c. Fair
- d. Justifiable

**ANSWER:** c  
**POINTS:** 1  
**DIFFICULTY:** Challenging  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** 2-3 Ethical Business Leaders Decision Tree  
**KEYWORDS:** Blooms: Analysis

57. Refer to Fact Pattern 2-2. Which of the following types of justice is involved if Blaire requires that Wally give Janice the entire \$2,000 bonus he received?

- a. Compensatory
- b. Retributive
- c. Fair
- d. Justifiable

**ANSWER:** b  
**POINTS:** 1  
**DIFFICULTY:** Challenging  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal



**TOPICS:** 2-3 Ethical Business Leaders Decision Tree  
**KEYWORDS:** Blooms: Analysis

58. Monica tells all her employees that she expects them to treat others as they would like to be treated. Which of following is a descriptive term for Monica's requirement?

- a. The Required Rule
- b. The Accepted Rule
- c. The Golden Rule
- d. The Advanced Rule

**ANSWER:** c

**POINTS:** 1

**DIFFICULTY:** Moderate

**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic

**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal

**TOPICS:** 2-3 Ethical Business Leaders Decision Tree

**KEYWORDS:** Blooms: Comprehension

59. Art, the sole shareholder of ABC Company, got a ticket for reckless driving because he was speeding through a school zone at 85 miles per hour. Sue, the wife of the officer who gave Art the ticket, was an employee of ABC Company. Art asked her if she could get the ticket "fixed" for him. Sue indeed talked to her husband, but he was unwilling to tear up the ticket. Art was incensed and fired Sue on the spot saying that she could not be counted upon to do anything the right way. Discuss the pros and cons of whether Sue should prevail in an action against ABC Company alleging a violation of public policy.

**ANSWER:** The facts are similar to those in *Bammert v. Don's Super Valu, Inc.* referenced in the text, FN 15. Students should discuss fairness in employment versus the employment-at-will doctrine.

**POINTS:** 1

**DIFFICULTY:** Moderate

**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic

**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal

**TOPICS:** 2-1 Relationship Between Law and Ethics

**KEYWORDS:** Blooms: Analysis

60. Discuss and explain the ethical business leader's decision tree referenced in the text.

**ANSWER:** Students should discuss the questions presented in the decision tree such as whether a proposed action is legal, whether it maximizes shareholder value, and whether the action is ethical.

**POINTS:** 1

**DIFFICULTY:** Moderate

**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic

**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal

**TOPICS:** 2-3 Ethical Business Leaders Decision Tree

**KEYWORDS:** Blooms: Analysis

61. Set forth the ways described in the text in which ethics and law are related.

**ANSWER:** (1) A judge or jury's assessment of the ethical character of an action may determine how the law is interpreted and applied in a given case; (2) law often reflects society's consensus about what constitutes appropriate behavior; (3) law can help define the roles

managers play, how they play those roles, and whether they have played them well; (4) patterns of unethical behavior tend to result in illegal behavior over time; and (5) unethical conduct tends, over time, to lead to more onerous business regulation.

**POINTS:** 1  
**DIFFICULTY:** Challenging  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** 2-1 Relationship Between Law and Ethics  
**KEYWORDS:** Blooms: Evaluation

62. You are the owner of a small Internet company. You are planning a public offering in 12 months. You ask your accountant to prepare an optimistic business model that shows a greater profitability potential than a conservative estimate would produce. When the accountant questions your profitability assumptions, you remind him that he has been given 10,000 shares of the company stock at a low price. A public offering would dramatically increase the value of those shares. Discuss the ethical issues faced by the owner and the accountant. How should they be resolved?

**ANSWER:** The ethical business leader's decision tree should be consulted. An action that is illegal should not be performed. Assuming illegality is not involved, other considerations are whether shareholder value is maximized; and, if not, whether it is ethical to perform the action. It appears that bribery may be involved. If the optimistic business model would be inaccurate, the owner should withdraw the request; and the accountant should refuse to provide an inaccurate model.

**POINTS:** 1  
**DIFFICULTY:** Moderate  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** 2-3 Ethical Business Leader Decision Tree  
**KEYWORDS:** Blooms: Application

63. Your company has asked you to write a code of ethics. What should you include and why?

**ANSWER:** Many examples are reported in the text of situations in which companies encountered difficulties due to unethical conduct. Students should set forth rules guarding against unethical as well as illegal conduct.

**POINTS:** 1  
**DIFFICULTY:** Moderate  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal  
**TOPICS:** Responsible Manager: Ensuring Ethical Conduct  
**KEYWORDS:** Blooms: Evaluation

64. Your company has grown from a national to a multi-national entity. How have your ethical responsibilities changed? To whom do you owe these responsibilities?

**ANSWER:** As the text makes clear in the section titled "When Ethics Travel," practices regarded as ethically unacceptable in the United States may be common practice in foreign countries. Students should discuss the fact that ethical responsibilities are owed to all affected including citizens and employees of a host country.

**POINTS:** 1  
**DIFFICULTY:** Moderate  
**NATIONAL STANDARDS:** United States - BUSPROG: - Analytic  
**ACCREDITING STANDARDS:** DISC: - AICPA: BB-Legal

*TOPICS:* Global View: When Ethics Travel

*KEYWORDS:* Blooms: Synthesis

65. You are the CEO of a multi-billion dollar company. Your company employs over 75,000 people. The company is being sued for \$100 million dollars as the result of racial discrimination against your customers. Your investigation reveals that some of your managers are actively violating the law. Discuss the steps you would take to ensure your company's compliance with ethical norms and legal requirements.

*ANSWER:* Students should discuss the need for an ethical code of conduct and the need to take immediate action to end the discrimination, including discharge of those responsible if needed.

*POINTS:* 1

*DIFFICULTY:* Moderate

*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic

*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal

*TOPICS:* Responsible Manager: Ensuring Ethical Conduct

*KEYWORDS:* Blooms: Synthesis

66. Discuss why Enron failed and who should be held responsible for the failure.

*ANSWER:* Students should discuss improper accounting practices, questionable information provided to Wall Street investors and the public; wrongful actions by managers; and the wrongful use of partnerships.

*POINTS:* 1

*DIFFICULTY:* Moderate

*NATIONAL STANDARDS:* United States - BUSPROG: - ANALYTIC

*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal

*TOPICS:* 2-5 Failing to Meet Societal Expectations

*KEYWORDS:* Blooms: Analysis

67. List the two main schools of ethical thought and their main focus.

*ANSWER:* The two main schools of ethical thought are teleological and deontological. Teleological theory is concerned with consequences. Under teleological theory, the ethical good of an action is to be judged by the effect of the action on others. Deontological theory focuses more on the motivation and principle behind an action than on the consequences.

*POINTS:* 1

*DIFFICULTY:* Moderate

*NATIONAL STANDARDS:* United States - BUSPROG: - Analytic

*ACCREDITING STANDARDS:* DISC: - AICPA: BB-Legal

*TOPICS:* 2-3 Ethical Business Leaders Decision Tree

*KEYWORDS:* Blooms: Analysis